

**ASSEMBLY BILL**

**No. 591**

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**Introduced by Assembly Member De La Torre**

February 25, 2009

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An act to amend Section 754 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 591, as introduced, De La Torre. Referral fees.

Under existing law, it is unlawful for a person to solicit, receive, offer, or pay a referral fee for the referral of an individual for the furnishing of services or goods for which the person knows or should have known that whole or partial reimbursement is or may be made by an insurer. Existing law makes a violation of those provisions a misdemeanor, punishable by a fine not to exceed \$1,000 for each violation.

This bill would increase that penalty to \$5,000 for each violation. By increasing the penalties for a crime, the bill would impose a state-mandated local program.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 754 of the Insurance Code is amended
- 2 to read:
- 3 754. (a) It is unlawful for any person to solicit, receive, offer,
- 4 or pay any referral fee for the referral of an individual for the
- 5 furnishing of services or goods for which the person knows or
- 6 should have known *that* whole or partial reimbursement is or may

1 be made, directly or indirectly, by any insurer. As used in this  
2 section, a referral fee is a fee paid by a person furnishing goods  
3 or services to another in return for the referral of an individual to  
4 that person for the furnishing of services or goods. It includes any  
5 referral fee, kickback, bribe, or rebate, whether made directly or  
6 indirectly, overtly or covertly, or in cash or in kind. This  
7 subdivision does not apply to any of the following:

8 (1) Discounts or similar reductions in prices.

9 (2) Referral fees between attorneys if legal services are provided  
10 pursuant to a contingency fee arrangement if any referral fee is  
11 consistent with the Rules of Professional Conduct of the State Bar  
12 of California.

13 (b) This section applies to all forms of insurance covering a  
14 motor vehicle, including commercial and personal lines, and  
15 comprehensive coverage, property damage coverage, collision  
16 coverage, and liability coverage.

17 (c) A violation of this section is a misdemeanor punishable by  
18 a fine not to exceed ~~one thousand dollars (\$1,000)~~ *five thousand*  
19 *dollars (\$5,000)* for each violation. Proceedings to enforce this  
20 section may be brought by any district attorney or other prosecuting  
21 attorney.